

## The economics of mental health

With modern psychological therapy, mentally ill people can become more productive and more satisfied with life

Keywords: mental illness, psychological therapy, health, life-satisfaction

### ELEVATOR PITCH

In a typical country, one in five people suffers from a mental illness, the great majority from depression or crippling anxiety. Mental illness accounts for half of all illness up to age 45 in rich countries, making it the most prevalent disease among working-age people; it also accounts for close to half of disability benefits in many countries. Mentally ill people are less likely to be employed and, if employed, more likely to be out sick or working below par. If mentally ill people received treatment so that they had the same employment rate as the rest of the population, total employment would be 4% higher, adding many billions to national output.

### KEY FINDINGS

#### Pros

- ⊕ Mental illness costs billions in welfare payments and lost taxes.
- ⊕ Psychological therapy boosts both employment and output, with gains exceeding the cost of treatment.
- ⊕ Psychological therapy is a bargain: for each \$1 spent, roughly \$1 is saved on welfare benefits and another \$1 is saved on physical health care.
- ⊕ Psychological treatment can reduce a person's annual physical health care costs by 20%.
- ⊕ Curing all depression and anxiety disorders would boost GDP by some 4%.

#### Cons

- ⊖ In most countries, only a tiny minority of people with depression or anxiety disorders receive evidence-based psychological therapy.
- ⊖ Nearly one in five adults worldwide suffers from a diagnosable mental illness.
- ⊖ Mental illness accounts for 38% of all illness in rich countries.
- ⊖ People with mental health problems who are also physically ill typically use 60% more physical health care than equally ill people without mental health problems.
- ⊖ The extra physical care of people with a mental illness costs close to 1% of national income.

### AUTHOR'S MAIN MESSAGE

Providing evidence-based therapies for people with a mental illness should be at the heart of public policymaking, given the burden of mental illness and the payoff to extending treatment. As common in poor countries as in rich ones, mental illness reduces employment and productivity. By keeping so many people from working or from working productively, mental illness costs billions in welfare payments and lost taxes. By contrast, therapy boosts both employment and output, with gains exceeding the cost of treatment. It also produces savings in physical health care—as much as 20% of an individual's annual costs—and improves life-satisfaction.

